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Items for discussion and decision: statistics of human development

Report of the Bureau of the Statistical Commission on statistics of human development

Note by the Secretary-General

In accordance with a request of the Statistical Commission at its forty-first session (see E/2010/24, chap. I.B, decision 41/112 (q)), the Secretary-General has the honour to transmit the report of the Bureau of the Statistical Commission on statistics of human development. The report presents the findings and recommendations of an expert group meeting which was called under the auspices of the Bureau in order to assess the methodological soundness and the appropriateness of the data used for the *Human Development Report*. The Commission is invited to endorse the key recommendations of the expert group regarding the use of official statistics, the need for full transparency and the need to reactivate the Statistical Advisory Panel, as contained in paragraph 12.

* E/CN.3/2011/1.

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Report of the Bureau of the Statistical Commission on statistics of human development

I. Introduction

1. At its forty-first session, the Statistical Commission considered the item of development indicators. In its decision 41/112, paragraphs (k) to (q), the Commission

> "...
>
> "(k) Expressed concern that there were now incidences in which full consultation [between countries and international agencies] was lacking, such as in the case of the expansion of the Human Development Index, which could undermine progress made in this area over the past five years;
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> "(l) Recognized the importance of the Human Development Index to countries and the extensive consultation that the Commission had undertaken with the Human Development Report Office in the past;
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> "(m) Expressed regret that there had been a lack of consultation with the Statistical Commission on the revision of the current Human Development Index;
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> "(n) Requested the Human Development Report Office to take note of the transparent procedures of the Statistical Commission in developing new statistical methodology on indices that have an impact on countries;
>
> "(o) Requested the Bureau of the Commission, together with experts from the regions, to undertake immediate consultation with the Human Development Report Office on the methodologies and data used in the proposed revision of the Human Development Index and to take appropriate decisions based on the consultation;
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> "(p) In view of the lack of consultation and the lack of transparency, the Commission will, at its forty-second session, assess the methodological soundness of the proposed Human Development Index, the appropriateness of the data used and the conclusions drawn therefrom, if this is recommended by the Bureau;
>
> "(q) Requested the Bureau of the Commission and the Human Development Report Office to report back to the forty-second session of the Statistical Commission on this consultation and the resulting recommendations".

2. Pursuant to the decision, the United Nations Statistics Division, at the request of the Bureau, organized an expert group meeting on the Human Development Index (HDI) in New York on 24 and 25 March 2010. High-level experts from 11 countries and the European Union, representing a broad spectrum of subject-matter expertise and geographical regions, participated in the meeting. The meeting was chaired by Peter Harper of the Australian Bureau of Statistics. A summary of the meeting is contained in section II. The recommendations of the expert group meeting are contained in the annex.

3. Section III gives an overview of the actions taken following the expert group meeting, leading to the decisions by the Bureau on the documentation that forms the basis for the current discussion by the Commission of this item. Suggested points for discussion are contained in section IV.

II. Expert group meeting on the Human Development Index

4. The purpose of the meeting was to review the proposed revisions to the methods of constructing HDI and to prepare a set of recommendations to improve the methodological soundness and the appropriateness of the data used. A team from the Human Development Report Office of the United Nations Development Programme (UNDP), led by its Director, made two technical presentations on (a) proposed changes to the "classic" HDI; and (b) the proposal to introduce new adjusted indices regarding inequality and, specifically, gender inequality. Further details in this respect are included in the report of the Office to the Commission session (E/CN.3/2011/15). It should be noted that the multidimensional poverty index, which was subsequently included in the *Human Development Report 2010*, was not presented for discussion by UNDP at the time of the expert group meeting.

5. Throughout the discussion, the group emphasized the importance of using official statistical series for the construction of HDI rather than employing non-official sources which might only have been compiled on an ad hoc-basis series, with a potentially low degree of cross-country comparability. This point was particularly underscored in reviewing the adequacy of the selection of education-related indicators and poverty measures. The group urged that official statistical series published by international agencies with the relevant mandate should be used to ensure the reliability, comparability and sustainability of the data series used in the construction of the HDI indices, particularly the main global HDI.

6. The group reviewed in detail the three dimensions of the classic HDI, namely, the income dimension, the education dimension and the health dimension. It furthermore reviewed proposals to modify the construction of the index, in particular those related to introducing variable upper and lower caps instead of "hard" caps and to applying natural logarithms in constructing dimension indices other than income. Finally, the group examined the proposals to develop adjusted HDI indices as a supplement to the family of HDI indices.

7. The expert group adopted a set of conclusions and specific recommendations, which are contained in the annex. Recognizing, at that time, that the revision of HDI was an ongoing process and that the final decisions had not yet been made with regard to the extent of the revision, the group requested that UNDP keep it informed about the final statistical content of the *Human Development Report 2010*. The members of the expert group also expressed their commitment and readiness to be available over the following weeks for further technical reviews and consultations, by means of written communication.

III. Follow-up actions to the expert group meeting

8. On 26 March 2010, the day immediately following the expert group meeting, the Chair of the group, at the invitation of the Human Development Report Office,

presented the conclusions and recommendations at the session of the Academic Advisory Panel of the Office. The report of the meeting was also transmitted to the Bureau of the Statistical Commission. The report was also formally submitted to UNDP on 3 May 2010, with a request to provide a response on the set of recommendations to the Bureau before the manuscript of the *Human Development Report 2010* was finalized.

9. The Human Development Report Office acknowledged receipt of the report through an e-mail from its Director on 19 May 2010, announcing that a more detailed reaction to the recommendations would be forthcoming. This was provided in another e-mail from the Director on 15 September 2010. In this communication, the Director pointed to the extensive series of consultations with a wide range of experts, including official statisticians, and practitioners. The Director furthermore stated that the Office did not have a mandate within the United Nations to collect primary data from countries, and therefore relied extensively on the data series produced by international and regional organizations with the relevant expertise and mandates in the given subject-matter areas. The Director also transmitted the list of statistical tables to be used in the 2010 report, together with their respective sources, and announced that the Report would be officially launched on 4 November 2010. Further technical explanations on some of the issues related to the expert group's recommendations are contained in the report of UNDP to the Commission.

10. It should be noted that the Human Development Report Office did not respond to the offer extended by the expert group to be available for further technical reviews and consultations during the process of the finalization of the 2010 manuscript. Furthermore, even though the Office provided additional information regarding supplementary series in line with recommendation 6 (see annex) of the expert group, this was done at such a late stage (15 September 2010) that there was no time for a meaningful review or discussion.

11. Given continued concerns about indicators released by United Nations agencies, in particular in the context of the *Human Development Report*, the Bureau accepted an offer by Brazil, Morocco and South Africa to present a joint report on their concerns (E/CN.3/2011/16). Together with the present report and the report of UNDP, that report will form the basis for the discussion of the agenda item on statistics for human development.

IV. Points for discussion

12. The Commission is invited:

(a) To thank the expert group on the Human Development Index for its work and for having prepared a set of specific recommendations;

(b) To endorse the key recommendations of the expert group, namely:

(i) To use official statistical series, especially for the construction of the main global HDI, and only official statistical series, published by an international agency with the appropriate mandate in the relevant subject-matter area and subject to proper governance arrangements, which can therefore be considered reliable, comparable and sustainable for use in an international development index. Non-official sources may occasionally be used as supplementary series in cases where official data are not available;

however, even in such cases official statisticians should be engaged with the aim of developing appropriate official sources;

(ii) To encourage the Human Development Report Office to support the work of relevant United Nations entities on the harmonization of national and international estimates. To this end, the official statistical community would greatly appreciate the support of the Office in urging the relevant United Nations entities to consult with countries, particularly in regard to missing data;

(iii) To exercise caution with respect to the incorporation of certain additional supplementary series when those measures have not reached a stage of methodological development where there is consensus on how underlying concepts should be measured. Such measures are unlikely to be globally available or comparable;

(iv) To provide full transparency and proper presentation of all data sources and methodologies used, in particular in those cases where country data have been estimated by the Human Development Report Office team to complete existing international data series, a practice that requires caution. Full documentation of the process needs to be publicly available; where possible, relevant international organizations should be consulted about estimates and the concerned countries should be advised in advance, in order to provide an opportunity for the country to present its technical comments on the estimates that have been derived;

(v) To reactivate the Human Development Report Statistical Advisory Panel with appropriate representation from the official statistical community, in order to allow early and full consultations with the official statistical community during the preparation of future issues of the *Human Development Report*;

(c) To request the United Nations Development Programme-Human Development Report Office to report on the implementation of these recommendations to the Commission at its forty-third session.

Annex

Conclusions and recommendations of the expert group on the Human Development Index

General recommendations

The expert group:

1. Welcomes the opportunity to review the proposed changes in data use and methodology for the Human Development Index (HDI) and related indices; however, the group expresses regret and concern that a dialogue with the official statistical community, even one based on preliminary information, did not take place earlier in the process.

2. Notes that decisions on revisions of HDI and related indices, as shown in the background note and presentations made by the United Nations Development Programme-Human Development Report Office team during the expert group meeting, are not yet final. The recommendations and conclusions included in the note are based on provisional information and, therefore, the group requests the Human Development Report Office to keep it informed about all relevant index-related discussions in the forthcoming weeks during the finalization process of the publication of the *Human Development Report 2010* in order to allow the statistical experts to refine their assessment and contribute to the process through further technical recommendations.

3. Strongly recommends the use of official statistical series, especially for the construction of the main global HDI. The group stresses that only official statistical series, published by an international agency with the appropriate mandate in the relevant subject-matter area, are subject to proper governance arrangements and can therefore be considered reliable, comparable and sustainable for use in an international development index; non-official sources may occasionally be used as supplementary series in cases where official data are not available; however, even in such cases official statisticians should be engaged with the aim of developing appropriate official sources.

4. Recognizes that for new or adjusted indices to be developed, the necessary baseline data may only be available for a limited number of countries; however, the group encourages the Human Development Report Office to actively explore such situations with the official statistical community, as this may provide opportunities for the future development of new statistical series, especially in developing countries.

5. Recommends caution with respect to the incorporation of certain additional supplementary series when those measures have not reached a stage of methodological development where there is consensus on how underlying concepts should be measured. Such measures are unlikely to be globally available or comparable. The Human Development Report Office did consider such a measure, "health-adjusted life expectancy" (HALE), but decided against using it as estimates would not be available in the future; there is also lack of agreement on how to adjust life expectancy in order to take health into account. The data needed for such calculations are also lacking. The group also observes that over the past decade a significant statistical investment has been made to improve the Millennium

Development Goal indicators, so they would seem to constitute a good source from which to draw additional indicators.

6. Notes that statistical series other than HDI are included in the *Human Development Report*, especially in its statistical annex, and welcomes the offer by the Human Development Report Office to provide the group with additional information regarding which proposed supplementary series are to be included in the 2010 publication.

7. Stresses the importance of full transparency and proper presentation of all data sources and methodologies used. The group insists that particularly in those cases where country data have been estimated by the Human Development Report Office team to complete existing international data series, a practice that requires caution, full documentation of the process needs to be publicly available; where possible, relevant international organizations should be consulted about estimates and the concerned countries should be advised in advance, in order to provide an opportunity for the country to present its technical comments on the estimates that have been derived.

Human Development Index generally

8. Welcomes the intention to improve the construction of HDI at regular intervals. The group notes that while the 2010 reform was announced as far-reaching, the proposed new HDI remains unchanged in concept and the final practical adjustments seem to be relatively minor in nature. The group stresses that close regular cooperation with the community of official statisticians, especially with respect to the development and improvement of data series, can help the Human Development Report Office to meet its more ambitious goals in the future.

9. Notes that to the extent possible, the index calculations should be based on actual data, rather than on estimations and/or model calculations, in order to minimize potential ambiguity; if estimations/calculations are indispensable to compensate for missing data points, they should be taken primarily from data series as received from the organizations providing the data series and only in exceptional cases be based on the Human Development Report Office's own transformations.

10. Warns against overconfidence in the precision of data presented. The group observes that some of the new index calculations introduce an even higher degree of "noise", and in this context, encourages research to quantify the quality of the input series, e.g., errors in the estimates of confidence intervals. The results of this research should be made publicly available. The group also suggests that the Human Development Report Office may wish to consider introducing country clusters where countries have similar index values, instead of individual country rankings.

11. Notes with satisfaction that the Human Development Report Office intends to recalculate the "new" HDI for the entire period 1980-2010. The group stresses that the analysis of the impact of the changes to the HDI methodology needs to be based on the entire time series and not only on the last year. The group also welcomes in this context the announcement that calculations of the current HDI according to the "old" method would be made available as reference material for the 2010 release, in order to better understand the impact of moving to the new HDI.

Inequality-adjusted indices

12. Supports efforts to introduce inequality-adjusted indices as supplementary indices. The group proposes that the classic HDI remain the main global index until such time as the conceptual and methodological basis of the proposed inequality-adjusted index is fully developed and receives wide acceptance.

13. Encourages the investigation of alternative models of measuring inequality for use in HDI indices. The group again draws attention to the fact that any inequality measure involves value judgements. The group suggests the inclusion of the inequality-adjusted HDI in the forthcoming publication in order to reach a broader and diverse audience and generate constructive discussion, with a view to seeking input for refining the concept and methodology. The group suggests that the term "experimental" be used to indicate the evolving status of the inequality adjusted HDI pending its broader acceptance. In this context, the group notes that the inequality-adjusted HDI and indicators of multidimensional poverty are two distinct measures and, therefore, welcomes the announcement by the Human Development Report Office that it will continue to include a separate measure of multidimensional poverty.

14. Expresses some concern about the use of the "inequality aversion parameter" because this parameter raises interpretability challenges for the final calculations. The group also cautions against oversimplifications in this respect. The group welcomes plans to present a sensitivity analysis in this respect; however, the group cannot offer a specific alternative to this parameter at this time.

Gross domestic product/gross national income

15. Considers the replacement of the data series of gross domestic product with gross national income a positive development and notes that there should not be any data availability issues in regard to gross national income. The group observes, however, that this will introduce greater volatility of this component of HDI. The group notes that conceptually, purchasing power parity conversion rates do not apply immediately to income measures, but may still be satisfactory in this context; however, this issue requires further in-depth analysis.

Indicators on education

16. Supports in principle the selection of the newly proposed education indicators, namely, adult mean years of schooling and school life expectancy, and agrees that the indicators could improve the measurement of the education dimension in HDI.

17. Expresses concern regarding the proposed use of a non-official source and the regularity of updating in introducing the data on adult mean years of schooling. The group proposes that the compilation of this indicator be conducted under the auspices of an international agency, possibly the United Nations Educational, Scientific and Cultural Organization.

Indicator on life expectancy

18. Notes the continued use of an indicator on life expectancy and recognizes that it is difficult to obtain the reliable mortality statistics that are needed to calculate life expectancy because the majority of countries do not have reliable vital

statistics/civil registration systems. The group encourages countries to develop reliable vital statistics systems and, in addition, encourages the Human Development Report Office to support the work of relevant United Nations entities on the harmonization of national and international estimates. To this end, the official statistical community would greatly appreciate the support of the Office in urging the relevant United Nations entities to consult with countries, particularly in regard to missing data.

Caps

19. Supports the removal of the "hard" caps and their replacement with variable upper and lower caps as this could balance out the influence of the dimension indices and help in "unbunching" values near the upper and lower limits. Resort to variable caps means, however, that the index will be "rebased" each time the prevailing cap is exceeded, causing more frequent revisions, which will have to be explained carefully to the users.

Logarithm transformation

20. Agrees to the application of natural logarithms in constructing dimension indices other than income, except when the indicators pertain to rates (as in the case of adult literacy). The group concurs that logarithm transformation can improve complementarities between the index dimensions and help in better reflecting diminishing returns.

Final recommendations

21. Recommends the reactivation of the Human Development Report Statistical Advisory Panel with appropriate representation from the official statistical community, in order to allow early and full consultations with the official statistical community during the preparation of future issues of the *Human Development Report*. The group also requests that the United Nations Development Programme continue to report at regular intervals of about three years to the Statistical Commission and, if needed, more frequently, especially when changes in the underlying data series or in the methodology for constructing the indices are being considered.

22. Appreciates the cooperation of the Human Development Report Office in the review process conducted under the auspices of the Bureau of the Statistical Commission and requests the Office to provide a response to the Bureau on the above recommendations before the manuscript of the *Human Development Report 2010* is finalized.